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SUBJECT: Austria Climate Update: GoA Investing Heavily, But Still Far Short of Binding Targets

REF: (A) VIENNA 743 AND PREVIOUS; (B) VIENNA 272

**¶1.** SUMMARY: Leading Austrian researchers say the GoA must invest much more in the fight against global warming in order to sustain the emissions and energy use reductions associated with the ongoing economic crisis. Existing and planned laws/standards and investment levels are not enough to meet Austria's greenhouse gas reduction commitments (emissions are 11% above 1990 levels versus a 13% reduction). The GoA's main instrument for "green" financing (the Austrian Climate and Energy Fund/CEF) has strong projects -- including electric car mobility -- but these represent a "down payment" at best. END SUMMARY.

Lower Emissions, But Still Trailing EU Performance

**¶2.** WIFO (a leading Austrian economic research institute) predicts that annual energy consumption will be 10% lower and CO<sub>2</sub> emissions will be down 7 million tons in 2010 ("Repercussions of the Economic Crisis on Energy Consumption and Emissions") WIFO and others are urging the GoA to hold onto this "positive" effect of the economic crisis once the economy rebounds -- since Austria has exceed its Kyoto emission cap by a much higher percentage (28%) than the EU average (4%).

Experts: 5% Green Stimulus Share in Austria / 12% in U.S.

**¶3.** WIFO experts want to make future economic stimulus spending more "green" -- particularly in the area of sustainable energy systems. WIFO estimates that the "green" share of 2008/09 stimulus packages was 16% worldwide, 12% in the U.S., 81 %(!) in South Korea, 21% in France and 13% in Germany, but only between 5 and 11% percent in Austria, depending on which measures are counted as environmentally friendly. (COMMENT: WIFO's analysis mirrors Post's internal estimates of "green" stimulus spending in ref B - END COMMENT).

**¶4.** WIFO says the key to reducing Austria's emissions is investing in a carbon-free energy supply. Its experts are calling for:

- More subsidies for thermal retrofitting in industry and households, and energy-neutral ("passive") houses;
- Promotion of sustainable energy sources such as wind and solar over "traditional" oil, gas and coal;
- Increasing the biofuels share of gasoline/diesel blends;
- Raising the mineral oil tax;
- More funding for the Climate and Energy Fund (CEF) from 2010;
- Reducing "forced mobility" by redoing city/regional plans and other land-use regulations.

EUR 500 Million Earmarked For Green Investments

**¶5.** The embassy met with CEF Research Manager and Analyst Christoph Wolfsegger to learn more about the GoA's main instrument to stimulate sustainable energy production and measures against global warming. He reported that the CEF, active since 2007 and with EUR

500 million in funding, has come under fire for moving slowly as a result of frictions within its bloated board structure. Recent amendments to the CEF legislation now limit oversight to two ministries (Transportation/Technology and Environment/Agriculture) and a small advisory board. This bureaucratic streamlining should allow green funds to reach the awarded companies and organizations more quickly.

¶ 16. Wolfsegger presented us with the 2009 program (published only in July 2009 due to infighting over the fund's structure and a late government decision to reallocate EUR 29 million from the CEF budget to finance an independent program on "Thermal Sanitation of Buildings"). The remaining EUR 121 million will be channeled into three areas:

- 1) Research & Development in the areas of energy technologies and climate research (EUR 51 million);
- 2) Public and regional transportation, environmentally-friendly freight transport and mobility management (EUR 40 million); and 3) market penetration of sustainable energy technologies that are relevant to greenhouse gas reductions (EUR 30 million -- NOTE: most CEF budget cuts were in this area).

#### U.S. Companies Active In Austria Can Apply For Funding

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¶ 17. All public and private entities, including foreign companies, can apply for funding under the CEF guidelines. Most CEF funding in 2008 (EUR 150 million) went to government-related Austrian companies, but foreign companies were not excluded. For example, General Electric (through its Austrian subsidiary GE Jenbacher") received EUR 1.4 million for emissions reductions related performance enhancement of gas engines.

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#### A Promising Project: E-Mobility

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¶ 18. Asked about the most interesting and innovative project in the 2009 program, Wolfsegger pointed to the "Framework Program E-Mobility" which strengthens innovative companies that invest in electric cars. The CEF regards electric cars as a key factor in reducing greenhouse gas emissions. EUR 7 million will be earmarked for e-mobility research R&D, EUR 4 million for subsidies in investments, and EUR 2.5 million in setting up an electric-car model region (in the western most Austrian state of Vorarlberg). The first step in this trial will be to equip all public vehicles with electric engines. The CEF's envisions a future where only electric vehicles are allowed in the downtown areas of large Austrian cities.

¶ 19. Major Austrian companies, led by government-dominated electricity provider Verbund and automotive company Magna Austria, will fund the first 100 vehicles for the model region. As part of the "Austrian Mobile Power" initiative, they plan to invest EUR 50 million into electric cars with the goal of having 100,000 electric cars on Austrian roads in 2020. Verbund CEO Wolfgang Anzengruber estimates that the initiative and related projects will trigger EUR 5 billion of investments in Austrian electric vehicle infrastructure.

¶ 110. Other CEF projects include subsidies for residential photovoltaic installations (EUR 18 million), battery research, and consulting for energy efficiency measures in municipalities. Finally, the CEF has also providing EUR 8 million to the Austrian Climate Research Program (ACRP); climate research has garnered attention recently due to Austria's increasing problems with extreme weather situations (a record number of windstorm, flashflood, high water, and heat wave since 2002). The research is intended to produce better climate change mitigation strategies.

¶ 111. By the end of 2009, the Energy and the Environment Ministry plan to publish a "Master Energy Plan" to outline concrete measures to meet Austria's energy efficiency and supply security goals. Economics Minister Reinhold Mitterlehner admits that meeting those goals will be difficult, since Austria rejects the use of nuclear energy and faces huge resistance from environmental NGOs against

expanding hydropower and other forms of large-scale energy production (septel).

COMMENT: Green Baby Steps In The Right Direction

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¶112. The latest WIFO study confirms that Austria's investments in "green technology" are still more about image than substance. The CEF's new funding strategy seems to be a step in the right direction, but it still falls far short of the industrial transformation originally envisioned. Private industry remains skeptical despite its collaboration with CEF on e-mobility project. Most environmental and energy programs are still tailored towards public entities such as municipalities and government-owned companies. END COMMENT.

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